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## Agenda Item 19a

November 16, 2011

### TO: MEMBERS OF THE BOARD OF ADMINISTRATION

- I. **SUBJECT:** Board Governance Project – Board Committee Delegations (First Reading)
- II. **PROGRAM:** Board Governance
- III. **RECOMMENDATION:** Approve the First Reading of the Board Committee Delegation Resolutions.

### IV. ANALYSIS:

In September and October 2011, the Board approved governance changes to strengthen accountability, efficiency, and effectiveness as part of the Board Governance Project. The Board approved a new committee structure incorporating the attached Powers Reserved for the Board and its committees. (Attachment 1.) To implement these changes, staff prepared the following proposed committee delegations:

- Board Governance (Attachment 2);
- Finance and Administration (Attachment 3);
- Investment (Attachment 4);
- Pension and Health Benefits (Attachment 5);
- Performance and Compensation (Attachment 6); and
- Risk and Audit (Attachment 7).

These delegations are designed to implement these changes and form the foundation for implementing the new committee structure in early 2012.

There are a total of 80 Powers Reserved for the Board, with 65 powers delegated to the appropriate committees and 15 powers remaining the responsibility of the Board. There are a few areas of interest that should be called out.

**All Committees:** While the Board is retaining 15 powers, a few of those powers will be delegated to all of the committees. These powers are the authority to conduct the selection of specific contractors, set and approve benchmarks and triggers for information that goes to the committees for review, approve performance metrics to be reported to the committees, set legislative positions, and approve regulations. With the exception of the Investment Committee, these powers are delegated with the caveat that any action taken by the committee will be recommended to the Board for final approval. The Investment Committee continues to retain final decision-making authority because it is a committee of the entire Board.

**Board Governance Committee:** While each committee delegation identifies the minimum number of members, only the Board Governance Committee Delegation identifies the Chair, Vice Chair, and members of the committee. The Chair and Vice Chair of the Board Governance Committee will be the Board President and Board Vice President, respectively, and the members are to be comprised of the Chairs of the other standing committees of the Board.

**Investment Committee:** The Powers Reserved for the Board changed the Investment Committee's existing authority over external investment managers. Currently, the Investment Committee approves the selection and retention of these managers. Under the Powers Reserved, this authority is changed to "oversight" of the selection process and performance of these managers. As a result, the proposed Investment Committee delegation will reflect this change and the Board will be asked to delegate the approval authority to the Chief Investment Officer via the Chief Executive Officer (CEO) in the proposed CEO Delegation.

**Performance And Compensation Committee:** The Powers Reserved also changed the existing authority of the Performance and Compensation Committee over compensation setting. Currently, with the exception of the CEO and the CIO, this committee actually sets and approves the salary ranges and incentive compensation of all employees covered by Government Code section 20098. The Powers Reserved changed this authority to "oversight" of these actions. The committee will continue to approve compensation policies and procedures for these employees and will oversee their implementation under the proposed delegation.

## **V. RISKS:**

Failure to approve the revised Board Committee Delegations may result in unclear roles, responsibilities, and authority between the Board, its committees, and the staff, resulting in decreased accountability for conducting Board business. In addition, the current Board Committee Delegations are not in

alignment with the new committee structure and Powers Reserved adopted by the Board.

#### **VI. STRATEGIC PLAN:**

These Board Governance Initiatives support the following Strategic Plan Goals:

- Goal II – Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability; and
- Goal III – Sustain a high performance work culture utilizing staff development, technology, and innovative leadership and management strategies.

#### **VII. RESULTS/COSTS:**

The proposed delegation resolutions will implement the governance decisions made by the Board and will result in increased accountability and transparency in Board governance. No new costs will be incurred in adopting the delegations.

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PETER H. MIXON  
General Counsel

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ANNE STAUSBOLL  
Chief Executive Officer